

VZCZCXRO8865  
OO RUEHCN RUEHGH  
DE RUEHBJ #3476/01 1741357  
ZNY CCCCC ZZH  
O 231357Z JUN 06  
FM AMEMBASSY BEIJING  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 0212  
INFO RUEHOO/CHINA POSTS COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 013476

SIPDIS

SIPDIS

E.O. 12958: DECL: 06/23/2031  
TAGS: [PGOV](#) [ECON](#) [SOCI](#) [EAGR](#) [CH](#)  
SUBJECT: HARD TIMES, HOT PROPERTY IN HUNAN

REF: A. BEIJING 10890

[1](#)B. BEIJING 10969

[1](#)C. 05 BEIJING 17604

Classified By: Classified by Acting Political Internal Unit Chief Susan

[1](#)A.  
Thornton. Reasons 1.4 (b/d).

#### Summary

[1](#)1. (C) During a June 9 visit to Changsha, the capital of Hunan Province, poloff discussed development trends with a broad range of local professionals (protect all), all of whom agreed that Hunan's economy has grown rapidly over the past 3-4 years. Investments from the major coastal cities have led to rapid growth in Hunan real estate development. Similar to the rest of China, local Communist Party members are largely promoted based upon their ability to deliver economic growth. There are concerns that rural education policies promulgated in Beijing that eliminated school fees through grade 9 have yet to reach Hunan's rural communities. The children left behind due t the urban-rural migration caused by China's apid growth are suffering the most. End Summary.

#### Development in Middle China

[1](#)2. (C) The emphasis of the government's push for rural development relies primarily on infrastructure investment and attracting outside investment, Hunan Ligong University Professor Ou Yangpei said during a recent visit by Poloff to the capital of Hunan Province in China's south-central region. The development of roads, electric power and communications in the rural countryside are crucial if the government hopes to address the urban rural divide, Ou said. The central government's new policy of developing central China (reftel) has had some positive effect in this area, he noted, mostly in the form of increased funding for expressways and electrification projects. (Note: During the March session of the NPC, Hunan delegates focused much of their attention on attaining funds for rural road infrastructure. Endnote.)

[1](#)3. (C) In 2005, Hunan's economy grew one percentage point faster than the national average, Ou said. Cities like Changsha, Hunan's capital, have benefited greatly from the spillover effects from the rapidly growing coastal cities. The development of the real estate sector, in particular, has boomed over the last three years, more than doubling. The majority of investment in Changsha's real estate market comes from Shenzhen and Shanghai, Changsha Yihai Ltd Vice President Liu Hai said. Changsha Yihai Ltd is nearing completion of a 75,000 square-meter mixed-use development in the city center. All 220 apartments have been pre-sold. Starting at \$200,000, Liu acknowledged that many of the apartments have been purchased by outside investors for

speculative purposes.

#### Economic Development Still The Road To Promotion

-----

14. (C) Local government officials continue to be promoted based upon economic, rather than social metrics, private lawyer and Communist Party member sitting on the Hunan Discipline and Inspection Committee Jiang Hailiang said. While local cadres often cite environmental protection as being near the top of their official duties, it has yet to translate into a meaningful criterion for career advancement, Ou said. Boosting profit remissions from state-owned enterprises to provincial and central government coffers is another path to promotion for local officials. Many SOEs invest profits in high-end apartments and enterprise-owned vehicles in order to reduce the amount of revenue returned to the Government. Jiang admitted that this "bordered on corruption," but insisted that it was not technically illegal as long as the assets remained with the SOE. Some local SOE directors will turn down promotions to the Provincial or Central Government because they do not want to leave their lucrative jobs, Jiang noted. Those that eschew such schemes and remit most of their profits to higher authorities are generally those most interested in promotion, he added.

#### Hard Times in the Village

-----

15. (C) Hunan is one of the largest contributors to coastal China's growing pool of over 100 million migrant workers, Professor Ou said. Many poorer villages in Hunan are almost devoid of young adults. Young parents, in particular, feel pressure to find work in the cities to

BEIJING 00013476 002 OF 002

support their children's education, Hunan Daily reporter Chen Rong said. In spite of pro-rural development policies like the New Socialist Countryside, which promised to eliminate agricultural taxes and school fees for the first nine years of education, many rural families still face high tuition fees for their young children. Most rural families are charged in excess of 800 RMB in tuition fees for children in grades 6-8, which amounts to 40-50 percent of many families' annual disposable income, Chen stated. These fees continue to increase through high school to the point that only farmers on the most productive land can afford to pay the school fees beyond Grade 5. Many parents are willing to do whatever it takes to provide their children with an education and a chance to succeed in modern China, Chen added, including finding work in urban areas.

#### Migrant Labor Orphans

-----

16. (C) Urban-rural migration induced by the economic realities in the villages has created a whole generation of urban-rural migration orphans. In some villages as many as 40 percent of the children do not have either parent living with them, Chen Rong said. Most of them live with their grandparents, many of whom are very old, which view their main responsibility as providing food and shelter not love and guidance, Chen asserted. She said that both of her parents are junior high school teachers in rural Hunan and they have noticed a major increase in the number of children that have grown up without either parent. The full force of the phenomenon is just now being felt, as large numbers of these children get into their teenage years. In both of her parents' classes these children now make up over 30 percent of the student body, up from almost none a few years back, Chen added. Many of these children suffer psychological disorders ranging from depression, feelings of abandonment and violent antisocial behavior, Chen observed.

## A Few Bright Spots

-----

17. (C) Villages and townships near booming cities like Changsha and along the border with Guangdong province have flourished in the last few years, Chen said. Several factors underlie their success, she noted. Viable township enterprises that can provide supplemental income to local farmers help induce productive young adults to stay, creating "healthy" village economies, Chen added. Others have relied on new development models borrowed from abroad (Ref C), such as organic farming learned from Canadian and American NGO's, Chen said. In another case, the village built a small meat processing facility to process locally raised ducks into small vacuum sealed snack packs of roast duck, which is very popular in Guangdong Province, Chen said.

RANDT